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C O N F I D E N T I A L SECTION 01 OF 03 REYKJAVIK 000192

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SUBJECT: Icelandic PM, FM Host U/S Burns for First Bilat "Security Dialogue"

Classified By: Amb. Carol van Voorst for reasons 1.4 (b) and (d).

11. (C) SUMMARY: Under Secretary Burns' visit to Iceland on June 14 reiterated the U.S. commitment to Iceland's security and laid the groundwork for new areas of cooperation, particularly in energy security and scientific research. New Foreign Minister Ingibjorg Solrun Gisladdottir carried herself well, demonstrating she is quickly getting into her brief. On global affairs, attention centered on developments in Iraq -- past and present -- and Afghanistan, with considerable time devoted to the Middle East peace process and the question of legitimizing Hamas. In private and in public, the message came through that the U.S. remains Iceland's close friend and ally. A lively roundtable with key opinion makers received lengthy favorable coverage in all major news outlets. In the same vein, U/S Burns' interview on Iceland's most popular television news show generated ample positive buzz, with some observers terming it the best interview of a foreign official in recent memory. End Summary.

U.S.-ICELAND DEFENSE TIES

12. (SBU) In separate meetings, and again over a joint PM-MFA working lunch to review the strategic environment, PM Haarde and FM Gisladdottir noted that Iceland continued to look to the 1951 U.S.-Iceland Defense Agreement as the cornerstone of Iceland's defense. At the same time, Iceland continues to expand and deepen its defense ties with other NATO allies in the North Atlantic, as in the case of recent defense MOUs signed with Norway and Denmark. The FM added that similar discussions are underway with the German and Canadian governments; PM Haarde will travel to Ottawa in August, and a reciprocal visit by Canadian Prime Minister McKay may be in the works.

13. (C) Both the PM and FM pressed for continued progress on issues of importance to Iceland in the wake of the departure of permanent U.S. forces in September 2006. On the Iceland Air Defense System (IADS), both requested that the USG accelerate progress to ensure that the air defense radars and other necessary system components could be handed over on August 15 of this year, when U.S. funding expires. Burns noted positively the work led by OSD's Jim Hirsch to coordinate bilateral work on the IADS issue, and reiterated the U.S. commitment to leave Iceland with an adequate air defense system. This would dovetail with efforts at the NATO Military Committee to approve a plan for peacetime air surveillance and interception preparedness (i.e., air policing). PM Haarde expressed his great pleasure at hearing that the U.S. and Icelandic NATO delegations had made significant progress on the air policing issue, with a draft plan expected to pass silence in the Military Committee on June 22.

14. (C) FM Gisladdottir also asked for U.S. assistance in two areas: ensuring the continuity within NATO of the "Island Commander Iceland" billet -- which the MFA Defense Department Head clarified as less a request for continuing the structure of decades past and more a

request for a single Iceland Point of Contact within the SHAPE structure -- and the possible lending of strategic assessment expertise as Iceland works to establish a cross-party institution to examine national security issues. Burns said the U.S. could assist Iceland on both of these points.

AFGHANISTAN

15. (C) PM Haarde said Iceland's most significant involvement in stabilization and reconstruction work abroad was in Afghanistan. He further noted that the previous FM had changed the "way of our [peacekeeping] mission" by withdrawing Icelandic PRT personnel in April, although Iceland was still spending the same amount of money. Throughout the day, Burns expressed his strong appreciation for the contribution Iceland had made in Afghanistan, through ISAF airlift funding, the management of Kabul International Airport, and through PRT deployments in Chaghcharan. Noting that NATO is a big alliance where every country brings something that they do best to Alliance missions, Burns strongly urged that Iceland consider renewing its PRT deployment, which had brought special skills to the table. FM Gisladdottir described a general apprehension among Icelanders at seeing their fellow citizens in military or quasi-military roles, but pledged to continue Iceland's activities in humanitarian reconstruction. Burns reiterated the flexibility of the PRT concept, noting this flexibility allowed for Iceland to shape its contributions in an appropriate manner. Burns updated the PM and FM on progress in Afghanistan as a whole.

IRAQ

16. (C) In her meeting with Burns, FM Gisladdottir drew attention to the new coalition government's statement regretting the war in Iraq, and pointed out that her party in 2003 had been deeply opposed to the invasion. Burns noted that what was important at this point is the

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need to work together to promote progress in stabilizing the country. Over lunch, he emphasized the need to put the arguments of 2003 behind us, and noted French President Sarkozy and German Chancellor Merkel have both made helpful comments in this regard.

PALESTINE: FOLLOWING IN NORWAY'S FOOTSTEPS?

17. (C) Over lunch, FM Gisladdottir expanded upon her recent idea that Iceland should follow Norway's lead and recognize the Palestinian Unity Government. Burns said the U.S. cannot accept Hamas until the organization renounces terrorism, accepts Israel and accepts peace, and noted this was the Quartet view. FM Gisladdottir responded that some in the European Commission believe the EU is trapped in this policy, because they have already invested so much in Palestine's infrastructure, which is crumbling without direct aid. Burns argued that the U.N. fills that role, while Hamas has continued to prove its unreliability by smuggling weapons and, based on the day's news reports, is working to annihilate Fatah. Time is needed to rebuild credibility on the Palestinian side. Intrigued, FM Gisladdottir asked point blank for Burns' view on the Norwegians' initiative. Burns said that, in light of current events, legitimizing Hamas would be a mistake. Hamas was acting in a completely unacceptable way, and the USG would make that clear to Norwegian FM Stoere. Gisladdottir noted that she will be meeting with Stoere in Oslo on June 20.

RUSSIA

18. (C) Haarde said that Iceland's relationship with Russia is important, noting the historical trade ties and the strategic situation in the Barents Sea. The Icelanders had an indication that Putin might be coming to Iceland as a stopover during his July 1-2 visit to Maine to meet with President Bush. Haarde said that his government has "watched in amazement" as Russia has attempted to reassert itself in unpredictable ways, particularly in the last year and with regard to the Baltic states. Gisladdottir pointed out the contradictions in Russian behavior at a Council of the Baltic Sea States ministerial earlier in the week, where Russian FM Lavrov flatly refused a meeting request from his Estonian counterpart, but was all smiles and easy jokes over dinner later at the meeting. Burns explained U.S. concern over Russian unpredictability,

describing U.S. efforts to be patient and not respond to Putin's provocations. Both the PM and FM agreed that like-minded nations need to work with Russia to encourage it to integrate with the broader world.

ENERGY SECURITY/CLIMATE CHANGE

¶9. (C) Haarde noted that energy transportation in the North Atlantic, especially between Russia and North America, will be an increasingly important issue. Burns responded that we have great interest in energy security. Haarde welcomed President Bush's climate change initiative as very important to Iceland and said the U.S. should take a leadership role on this issue. Gisladdottir also noted the importance of having India and China, in addition to the U.S., as part of the global arrangement to reduce emissions. She described Icelandic investment in the U.S. in geothermal development and said there are a lot of possibilities to cooperate on deep-drilling research. Haarde said that the "know-how" of harnessing geothermal resources was an Icelandic export commodity, and reiterated the Icelandic willingness to work together with the United States in this area. Burns agreed that clean energy is an area where we can work together, and promised to talk to the Department of Energy to emphasize the importance of closer collaboration in research and development.

WHALING

¶10. (C) Haarde proved more expansive on the reasoning behind Iceland's position on whaling than in prior discussions on the topic. He stated flatly that Iceland would "never compromise on the principle" behind its issuance of a commercial whaling quota in 2006, and that the whale stock around Iceland must be "contained and culled." Reflecting his confidence in in GOI-sponsored research claims that whales are a threat to Icelandic fish stocks, Haarde noted that Icelanders depend on fishing for their livelihood and that whaling should be viewed as a legitimate activity if it is done in a sustainable manner. Haarde did allow that now that the Icelanders "have demonstrated the principle," his government may choose not to re-issue the commercial whaling quota if the largest company engaged in whaling cannot find a market for the meat. While thanking Haarde for Iceland's support of the aboriginal bowhead quota at May's International Whaling Commission meeting in Anchorage (a vote the PM was keenly aware of), Burns communicated the strong objection the U.S. has to whaling for commercial reasons.

QUEST FOR A UNSC SEAT

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¶11. (C) Haarde noted that much had changed in the world since 1945 and Iceland was much in favor of reforming and strengthening the United Nations and expanding the Security Council. He asked Burns for U.S. support for Iceland's UNSC bid and noted that despite the GOI's success in getting a few commitments for supporting votes, he didn't know how reliable they would be in the end. Burns said that Iceland would be a welcome addition to the Council but that the USG does not disclose its votes in UN elections.

COMMENT

¶12. (C) Burns' visit to Iceland, the first by a senior U.S. official since 2003, was greatly welcomed by the new Icelandic government, and received heavy and positive press coverage. In the meetings, some foreign policy divisions between the Prime Minister and his new Foreign Minister, most particularly on support for the war in Iraq, were deliberately underscored by Gisladdottir. In general, however, the personal relationship between the two most senior members of the new coalition appeared collegial and relaxed. (In fact, Haarde said that the new government coalition was so stable that he saw no reason why it couldn't last for two to three terms.) Gisladdottir was willing to listen to the argument for a renewed Icelandic contribution to the PRT in Afghanistan, although her obvious wariness of any Icelandic association with any military means we still have work to do to convince her to renew the mandate before winter. Both leaders expressed confidence that bilateral relations with the U.S. are back on a firm footing but want to wrap up the last of the base

legacy issues, especially the future of IADS, early this summer. With Gisladottir clearly taking energetic control of her new brief, and in a mood to travel, we can expect a request for cabinet-level meetings in Washington within the near future. PM Haarde's visit to the United States in August would present an excellent opportunity for a White House meeting with a NATO leader who is not only likely to be in place for a long time, but whose steadiness and calm management went a long ways to taking the domestic fire out of the base closure issue.

van Voorst